

## **IRS CORRECTS IMPROPER COLLECTION PRACTICE**

WASHINGTON -- The Internal Revenue Service is apologizing to about 20,000 taxpayers for mistakes it made in handling their accounts. The IRS has stopped the improper practice and is taking steps to correct the situation for affected taxpayers. Those affected were paying taxes owed for tax years before 1990 through installment agreements.

"We sincerely regret our errors with these taxpayers," said Taxpayer Advocate Lee Monks, "and we are acting quickly to ensure that we correct each account and make whatever refunds the law allows. I am sending letters of apology to potentially affected taxpayers, explaining the situation."

A special customer service team at the Philadelphia IRS Center will ensure that each taxpayer receives the appropriate relief. Taxpayers who receive a letter from the Taxpayer Advocate may return a simple claim form or call a special toll-free number to protect their right to a refund. The IRS will determine the proper refund amounts as it processes their claims.

The matter came to light through internal inquiries from the Taxpayer Advocate and IRS field offices, as well as a letter referred by the Senate Finance Committee.

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The mistakes involved only a small percentage of taxpayers with installment agreements -- those who would not pay off the taxes owed before the 10-year legal time limit for collection would expire. About a year before this deadline, the IRS would ask taxpayers to agree to extend the deadline or else face cancellation of their installment agreements, meaning that the full balance would become due immediately.

Most of the adversely affected taxpayers agreed to extend the legal deadline and kept paying beyond that date. A small fraction had their agreements cancelled by the IRS and were subject to collection actions for the balance due.

The law permits the IRS to end an installment agreement for certain reasons, such as a failure to make a scheduled payment or a substantial change in the taxpayer's ability to pay. The IRS can also properly ask for an extension of the collection deadline as a condition to granting the installment agreement. But once the IRS decides to accept the agreement, the law does not allow it to terminate that agreement because a taxpayer would not extend the time left to collect the tax.

Upon determining that the requests for extensions were not in accordance with the law, the IRS immediately ordered its field offices to stop this practice and took steps to identify and provide relief for those adversely affected.

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